SALLQUIST & DRUMMOND, P.C.
ATTORNEYS AT LAW
2525 EAST ARIZONA BILTMORE CIRCLE
SUITE 117
PHOENIX, ARIZONA 85016-2129

RICHARD L. SALLQUIST

PHONE (602) 224-9222
FACSIMILE (602) 224-9366
E-MAIL dick@sd-law.com

March 3, 2000

FAX: 520-628-6559

Jane Rodda
Hearing Officer
Arizona Corporation Commission
400 W. Congress
Tucson, AZ 85701

Re: Vail Water Company Alternative WIFA Projects

Dear Ms. Rodda:

On February 24, 2000, we provided copies of my request to Greg Swartz and John Chelus regarding alternative WIFA Projects. Attached hereto please find Mr. Chelus's confirmation that the proposed alternative WIFA Projects meet the Commission's criteria and his conclusion that the estimated costs are reasonable.

In the event we can provide any additional information, please do not hesitate to call.

Sincerely,

Richard L. Sallquist
For the Firm

Enclosures
cc: Docket Control (11 copies)
Robert Metli (via fax: 542-9870)
Lawrence V. Robertson (via fax: 520-747-1550)
Kip Volpe (via fax w/out enclosures: 520-571-1961)

25002-00000.128

ARIZONA CORPORATION COMMISSION

February 29, 2000

Richard L. Sallquist
Sallquist & Drummond, P.C
Attorneys at Law
2525 East Arizona Biltmore Circle
Suite 117
Phoenix, Arizona 85016-2129

Re: Vail Water Company Alternative WIFA Projects
Docket Nos. W-01651B-99-0351 & W-0165B-99-0406

Dear Mr. Sallquist:

I have reviewed the memorandum prepared by Mark Taylor of WestLand Resources, Inc. (attached) which describes the alternative upgrade and augmentation projects for the $819,000 financing request. The Company proposes that one or more of these projects be implemented in the event some of the original projects are funded by other sources. A summary of the projects submitted by Mr. Taylor are as follows:

1.	Chlorination Facility at Well No. 3	$31,000
2.	Telemetry Control System at Well No. 3, Well No. 2, Andrada Booster Station, Shasta Booster Station, and Water Company Master Base Unit.	$73,000
3.	Backup Generator for Transfer Station Generators	$44,000
4.	3380-Zone Transfer/Booster Station 20% Allocation	$54,800

Engineering Staff (Engineering) considers the proposed projects to be reasonable and acceptable as improvements that would benefit Vail Water Company customers. The analysis was based on the alternatives submitted by the Company. No other alternatives were analyzed by Engineering. The unit costs presented by Mr. Taylor appear to be reasonable.

Sincerely,

John A. Chelus
Utilities Engineer

cc: Jane Rodda
Sonn Ahlbrecht
Robert Metli

February 21, 2000

DESIGN MEMORANDUM

TO: Kip Volpe
TEM Corp.

FROM: Mark Taylor

CC: Project File No. 228.01

RE: **VAIL WATER COMPANY PROPOSED ALTERNATIVE PROJECTS FOR ARIZONA DRINKING WATER REVOLVING FUND (WIFA)**

The four proposed alternative upgrade and augmentation projects are as follows:

1. CHLORINATION FACILITY AT WELL NO. 3

Due to previous water quality concerns, a chlorination system is proposed at the Well No. 3 site. An automatic-feed liquid chlorination facility with all the required controls and safety features will be built at the site.

The approximate construction cost is $25,000, with a pre-construction cost of approximately $6,000.

2. TELEMETRY CONTROL SYSTEM AT WELL NO. 3, WELL NO. 2, ANDRADA BOOSTER STATION, SHASTA BOOSTER STATION, AND WATER COMPANY MASTER BASE UNIT

Due to the linear nature of the system, the disruption of any component of the system will interrupt water service to the South Service Area. A radio-controlled telemetry system will provide operational control of the system and instant notification of facility failures. This will provide the required operational control to move water throughout the system under peak day and peak hour conditions. In addition, this system will notify operators of system breakdowns and allow adequate time to repair breakdowns before the reservoir system is depleted. The telemetry system will consist of a radio-operated telemetry system with programmable logic controllers (PLCs) at each of the four sites. PLCs will monitor reservoir tank levels, system pressures, on/off pump status, and provide warnings for abnormal level pressures or malfunctioning pumps.

The estimated construction cost of the telemetry system is approximately $60,000, with a pre-construction cost of approximately $13,000.

3. Backup Generator for Transfer Station Generators

Portable backup generators are proposed due to the frequency of power outages within the Vail Water Company service area, as well as the linear nature of the transfer station/system. The telemetry system will detect and report any power outages that occur within the system. Two mobile backup generators are proposed to be required to maintain service in critical areas and adequate reservoir levels where required. In addition, manual transfer switches and cable hookups are required for each facility.

The estimated construction cost for the two portable backup generators is $100,000. The estimated construction cost for the manual transfer switches, controls, and cable hookups at Well Site No. 3, Well Site No. 2, Andrada Booster Station, and Shasta Booster Station is approximately $24,000. The estimated pre-construction cost is approximately $20,000.

4. 3380-Zone Transfer/Booster Station

A new 3380-Zone Transfer Station is required within the 12-inch interconnect between Well Nos. 6 and 3. This booster station will provide transfer capability for Well No. 6 to the south service area through the 3380-Zone system. The new booster station will provide additional capacity and backup supply for the existing Well No. 3 Booster Station. The booster station is proposed to have a design capacity of approximately 1,200 gallons per minute (gpm) and will provide for additional and redundant capacity to Well No. 3, as well as excess capacity for future demand. It is anticipated that approximately 250 gpm of the total capacity would be used for existing demands.

Approximately 20 percent of the estimated cost of the booster station would be allocated for existing demands. Based upon estimated construction costs of $230,000, a 20 percent allocation would be approximately $46,000. The total estimated pre-construction costs of $44,000 would equate to be approximately $8,800 for the 20-percent allocation.

MFT:bc